

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION

| | | |
|---------------------------------------|---|-------------------|
| IN RE: | § | |
| | § | CASE NO. 23-60629 |
| East Texas Machining & Manufacturing, | § | |
| LLC, | § | |
| | § | |
| DEBTOR. | § | |
| | § | CHAPTER 11 |
| 13864 CR 4196D | § | |
| Henderson, Texas 75651 | § | |
| EIN: xx-xxx3440 | § | |

SUBCHAPTER V CONSENSUAL REORGANIZATION REPORT

East Texas Machining & Manufacturing, LLC, Debtor herein, presents this Subchapter V Consensual Reorganization Report pursuant to 11 U.S.C. §1188(c) and would show as follows:

A. Structure of Secured Debt and Tax Obligations

Bank of America hold a lien on a vehicle owned by the Debtor for a promissory note in the approximate amount of \$54,500.00. Kapitus, LLC has a security agreement in accounts and accounts receivable perfected by a UCC-1 financing statement properly filed to secure its claim for \$149,205.00 for funds advanced to Debtor under an agreement entered into pre-petition. Shaun Halberstadt has a lien on a Toyora FH405S perfected by a UCC-1 financing statement to secure his claim for \$103,013.00. Texas Bank has a security agreement in a 2005 Hardinge Quest 6/42SP CNC Turning Center perfected by a filed UCC-1 financing statement to secure its claim for \$25,145.00. Corby Hall has a security agreement in all assets of the Debtor perfected by a filed UCC-1 to secure a debt in the amount of \$678,163.00. RLCH Holdings, LLC has a

security agreement in all assets of the Debtor to secure a debt in the amount of \$126,391.00.

The Internal Revenue Service has a potential claim for excise taxes in the amount of \$218,273.00. Rusk County has a lien on Debtor's personal property to secure its claim for property taxes in the amount of \$10,943.00. These are the only pre-petition tax obligations.

B. Post-Petition Business Operations and Revenue Stream

Debtor's business primarily involves the manufacture and sale of firearms and related accessories. Debtor's revenues are currently running in the approximate amount of \$234,000.00 monthly.

C. Anticipated Administrative Expenses

Debtor's counsel holds a pre-petition retainer in the amount of \$18,452.00 and anticipates seeking an award of fees and expenses from that amount. It is not known whether that sum will suffice to cover all of the legal fees which Debtor may incur. Debtor has plans to retain Bodwell Vasik Wells DeSimone, LLP as its accountant. At the present, Debtor does not retaining any other professional persons. The Subchapter V Trustee, Mark Weisbart, has requested a monthly retainer of \$1,000.00 per month. Debtor is not able to forecast what the Trustee's fees may be.

D. Compliance with Administrative Regulations.

Debtor has participated in the initial interview with the United States Trustee's office. Debtor closed all bank accounts and transferred all funds into a debtor-in-possession account at Texas Bank & Trust. All revenues received go into that account and any withdrawal is noted by a check drawn on that account. Debtor maintains the

casualty insurance policy and the liability insurance policy it had pre-petition. Debtor's first monthly operating report is due on January 20, 2024.

E. Issues Affecting Debtor's Ability to Reorganize

Debtor's ability to reorganize successfully will depend upon its ability to increase its revenues through sales of its products, control its expenses, and streamline its budgeting in order to generate funds for the repayment of creditors. Debtor is also seeking new sources of capital. Debtor has certain disputed debts which it will try to resolve in an expeditious manner. Economic downturns caused by changes in interest rates, by tax increases, or by national monetary policy can all affect Debtor's ability to reorganize.

F. Plan Considerations

At the present time, Debtor is aiming to file its Plan of Reorganization by March 13, 2024. Debtor's plan will revolve around the improvement of its revenue stream. Debtor anticipates providing in the Plan for payments to secured creditors and unsecured creditors in amounts supported by its revenue stream.

Respectfully submitted,

LAW OFFICES OF MICHAEL E. GAZETTE

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ATTORNEY FOR DEBTOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Subchapter V Consensual Reorganization Report has been sent to the United States Trustee, 110 N. College, Suite 300, Tyler, Texas 75702, and all parties on the attached mailing matrix via electronic means or First Class U. S. Postal Service on the 16th day of January, 2024.

/s/ Michael E. Gazette
Michael E. Gazette